



**REPORT OF THE STATEWIDE SINGLE AUDIT
OF THE
COMMONWEALTH OF KENTUCKY**

For the Year Ended June 30, 1998

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INTRODUCTION

**COMMONWEALTH OF KENTUCKY
INTRODUCTION
FOR THE YEAR ENDED JUNE 30, 1998**

Introduction

The Auditor of Public Accounts, acting as principal auditor in conjunction with various certified public accounting firms, annually performs a statewide single audit of the Commonwealth of Kentucky. This audit allows the Commonwealth to comply with Federal audit requirements as set forth in the Single Audit Act of 1984, as amended by Public Law 104-156, and the regulations contained in the U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Public Law 104-156, referred to as the Single Audit Act Amendments of 1996, is effective for fiscal years beginning after June 30, 1996.

Report Package

Per Section 320 (c) of OMB Circular A-133, the reporting package shall include the Financial Statements and Schedule of Expenditures of Federal Awards, Summary Schedule of Prior Audit Findings, Auditor's Reports, and Corrective Action Plan. For the year ended June 30, 1998, the Single Audit Report is presented in two volumes. The Comprehensive Annual Financial Report (CAFR), which contains the general-purpose financial statements and the auditor's report thereon, dated January 30, 1999, has been issued under separate cover.

The Single Audit Report, the second volume, contains the auditor's reports on compliance and internal control over financial reporting, on compliance and internal control over compliance with requirements applicable to major Federal programs, and on the Schedule of Expenditures of Federal Awards. The Single Audit Report also contains the Schedule of Expenditures of Federal Awards, Schedule of Findings and Questioned Costs (including Summary of Auditor's Results, Financial Statement Findings and Questioned Costs, and Federal Award Findings and Questioned Costs), and the Summary Schedule of Prior Audit Findings. The corrective action plans for the current year findings are reported in the Schedule of Findings and Questioned Costs.

Audit Approach

Our audit was conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, the Single Audit Act Amendments of 1996, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The scope of the statewide single audit for the year ended June 30, 1998, included:

- An audit of the general-purpose financial statements and required supplementary schedules in accordance with generally accepted government auditing standards;

**COMMONWEALTH OF KENTUCKY
INTRODUCTION
FOR THE YEAR ENDED JUNE 30, 1998
(CONTINUED)**

Audit Approach (Continued)

- An audit of supplementary Schedule of Expenditures of Federal Awards (excluding state universities, as discussed below) in accordance with generally accepted government auditing standards;
- An audit of the internal control applicable to the Commonwealth's organizational units and administrative bodies, to the extent necessary to consider and test the internal accounting and administrative control systems as required by generally accepted government auditing standards, the Single Audit Act Amendments of 1996, and the provisions of OMB Circular A-133; and
- A selection and testing of transactions and records relating to each major Federal financial assistance program to obtain reasonable assurance that the Commonwealth administers its major Federal financial assistance programs in compliance with laws and regulations for which noncompliance could have a material effect on the allowability of program expenditures or on the Commonwealth's general-purpose financial statements.

The Auditor of Public Account's office conducted the audit of the internal control focusing on the following objectives:

- Considering the internal control in order to determine auditing procedures on the General-Purpose Financial Statements of the Commonwealth.
- Determining if the Commonwealth has an internal control to provide reasonable assurance that it is managing the Federal assistance programs in compliance with applicable laws and regulations.

The Statement of Position 98-3, *Audits of States, Local Governments, and Not-For-Profit Organizations Receiving Federal Awards*, OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the Single Audit Act Amendments of 1996, permit the single audit to cover the entire operations of the entity or include a series of audits covering departments, agencies, or other organizational units expending Federal awards. The Commonwealth has elected to exclude state universities from the statewide single audit, except as part of the audit of the general-purpose financial statements. Thus, state universities are not included in the accompanying Schedule of Expenditures of Federal Awards and reports on internal control and compliance. It should be noted, however, that state universities are still required to have audits made in accordance with the provisions of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

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FOR THE YEAR ENDED JUNE 30, 1998
(CONTINUED)**

Audit Approach (Continued)

Since not all state agencies use the Federal Grant Accounting Subsystem of the Statewide Accounting and Reporting System (STARS), the Auditor of Public Accounts requested all state agencies (excluding state universities) to prepare worksheets of Federal financial assistance, both cash and noncash. The source of these worksheets included STARS, agency accounting systems, agency manual records, etc. The agencies were also asked to reconcile the worksheets to STARS and to Federal grantor reports. These worksheets were compiled into the accompanying Schedule of Expenditures of Federal Awards.

If additional copies of the Single Statewide Audit of Kentucky are required, please contact Mona Logsdon, Open Records Administrator, with the Auditor of Public Accounts Office at (502) 564-5841. If copies of the CAFR for the fiscal year ended June 30, 1998 are required, please contact John P. McCarty, Finance and Administration Cabinet Secretary, at (502) 564-4240.

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INTRODUCTION
FOR THE YEAR ENDED JUNE 30, 1998
(CONTINUED)**

List of Abbreviations/Acronyms Used In This Report

ACYF PA	Administration for Children, Youth and Families – Policy Announcement
ADD	Area Development District
AIDS	Acquired Immunodeficiency Virus Syndrome
AMLR	Abandoned Mine Land Reclamation
APA	Auditor of Public Accounts
Board	Kentucky State Fair Board
C & I	Cash and Investment Function
CAA	Community Action Agencies
CAFR	Comprehensive Annual Financial Report
CAP-SSSE	Community Assistance Program – State Support Services Element
CAMRA	Complete Asset Management, Reporting, and Accounting System
CBW	Children’s Benefit Workers
CCDBG	Child Care and Development Block Grant
CCDF	Child Care and Development Fund
CDP	Custom Data Processing, Inc
CFC	Cabinet for Families and Children
CFDA	Catalogue of Federal Domestic Assistance
CFR	Code of Federal Regulations
CHS	Cabinet for Health Services
CIO	Chief Information Officer
Commonwealth	Commonwealth of Kentucky
DCBS	Department for Community Based Services
DCC	Division of Child Care
DCS	Division of Child Support
DDS	Disability Determination System
DIS	Department of Information Systems
DFM	Division of Financial Management
DJJ	Department of Juvenile Justice
DSI	Department of Social Insurance
DSS	Department for Social Services
DVOP	Disabled Veterans’ Outreach Program
EAV	Enrollment Verification Forms
FAC	Finance and Administration Cabinet
FEMA	Federal Emergency Management Agency
FHA/VA	United States Farmers’ Home Administration/Veterans’ Administration

**COMMONWEALTH OF KENTUCKY
INTRODUCTION
FOR THE YEAR ENDED JUNE 30, 1998
(CONTINUED)**

List of Abbreviations/Acronyms Used In This Report (Continued)

FNS-250	Food Coupon Accountability Report
FY	Fiscal Year
GAR	Governor's Authorized Representative
HHS	Health and Human Services
HIV	Human Immunodeficiency Virus
HUD	Housing and Urban Development
IFLOWS	Integrated Flood Observing and Warning System
JOBS	Job Opportunities and Basic Skills Training
JTPA	Job Training Partnership Act
KACA	Kentucky Association of Community Action Agencies
KAMES	Kentucky Automated Management and Eligibility System
KAPS	Kentucky Automated Purchasing System
KAR	Kentucky Administrative Regulations
KCCMS	Kentucky Child Care Management System
KCL	Kentucky Claims Inactive
KHESLC	Kentucky Higher Education Student Loan Corporation
KRC	Kentucky Revenue Cabinet
KRS	Kentucky Revised Statute
KHPA	Kentucky Health Purchasing Alliance
KSFB	Kentucky State Fair Board
LAN	Local Area Network
LIHEAP	Low Income Home Energy Assistance
MA	Military Affairs
MARS	Management Administrative Reporting System
MAP	Medical Assistance Program
NA	Not Applicable or Not Available
NCHIP	National Criminal History Improvement Program
NREPC	Natural Resources and Environmental Protection Cabinet
OIG	Office of Inspector General
OMB	United States Office of Management and Budget
OTC	Office of Technical Services
PA	Public Assistance
PATH	Projects for Assistance in Transition from Homelessness
PCIE	President's Council on Integrity and Efficiency
PERS	Personnel Cabinet
Personnel	Personnel Cabinet
PST	Office Of The Petroleum Storage Tank Environmental Assurance Fund
PwC	PricewaterhouseCoopers

**COMMONWEALTH OF KENTUCKY
INTRODUCTION
FOR THE YEAR ENDED JUNE 30, 1998
(CONTINUED)**

List of Abbreviations/Acronyms Used In This Report (Continued)

REV	Revenue Cabinet
RMDS	Report Management Distribution System
SARA	Superfund Amendment and Reauthorization Act
SBA	U.S. Small Business Administration
SEFA	Schedule of Expenditures of Federal Awards
SFAG	State Family Assistance Grant
SFY	State Fiscal Year
SSBG	Social Services Block Grant
SSWAK	Single Statewide Audit of Kentucky
STARS	Statewide Accounting and Reporting System
SVES	State Verification Eligibility System
TANF	Temporary Assistance For Needy Families
TC	Transportation Cabinet
TSO	Time Sharing Option
TVA	Tennessee Valley Authority
TWIST	The Workers Information System
UIA/UIB	Unemployment Insurance Systems
UPPS	Unified Personnel and Payroll System
U.S.	United States
USC	United States Code
USDA	United States Department of Agriculture
VACMAN	Vaccine Software Management System
VFC	Vaccine for Children Program
WFDC	Workforce Development Cabinet
WIC	Women, Infants, and Children Program
Y2K	Year 2000

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS